

Hearing Before the
Senate Committee on Commerce, Science and Transportation
June 21, 2000
Statement of Senator John D. Rockefeller IV

Mr. Chairman, I want to thank you for holding this very timely and important hearing. I hope we can spend most of our time here today hearing from and posing questions to our witnesses, so I will be fairly brief in my opening remarks.

When United first announced its intention to purchase US Airways nearly a month ago I had some of the same initial nervousness and discomfort – perhaps even skepticism – that some of my colleagues have expressed today and in other House and Senate hearing rooms over the last few weeks. As I listened more closely to the details of the deal, however, I was almost immediately more hopeful, though still cautious.

And as I began digging into the details of the deal in the last few weeks – meeting with several of the panelists here this morning and talking with the West Virginia aviation community about what it will mean at home – I have found myself both relieved and optimistic.

While I, of course, reserve my right to raise concerns in the

future, my basic view going in to this hearing and this process is that:

I know there are many questions still to be asked and still to be answered. And I know we need and will look to the expert opinions of the DOT and the DOJ on the anti-trust issues and possible conditions for this merger.

But, from where I stand today, the United-US Airways-DC Air deal looks like one that will be good for West Virginia and, I believe, good for other small communities and states now served by US Airways.

Let me be clear that I do not make such a positive statement lightly or without a good deal of thought and careful consideration of the facts. I know that when there is a merger of two major players in any industry (rail, telecom, oil and gas, chemicals, etc.), there are also serious and legitimate concerns about the potential for anti-competitive consequences.

Those of us in government have a clear responsibility to ask the tough questions. In this case we need answers, and advice,

about issues like –

- ⌄ possible fare increases and service losses,
- ⌄ the true financial and competitive viability of the new DC Air,
- ⌄ the competitive effects on hub-to-hub routes, and
- ⌄ the potential for this merger to set off a series of major consolidations in the industry.

And implicit in all of these forward-looking questions about the impact of the proposed merger, there is also the need for taking a good hard look at the state of the airline industry as it is today. Certainly for West Virginia, competition and service in the pre-merger environment is the starting point for any meaningful discussion about competition and service in the post-merger environment.

Frankly, the picture today is not pretty.

US Airways is our biggest carrier. In fact, it is the only carrier in most of our markets. With all due respect to Mr. Wolf, too much of their service into West Virginia is provided by weaker regional affiliates and is of poor quality – with high fares, cramped aircraft, lousy schedules, frequent cancellations, and virtually no marketing. We have almost no competition today.

I have been working with Mr. Wolf and others at US Airways to improve this situation for some time, and I will continue to do that while this merger is pending (and beyond, if the merger is not ultimately approved). I know that Mr. Wolf and his people have been committed to West Virginia for many years, when others turned their noses up at us. I appreciate their willingness to try to make things better even now, and I know they have understood the urgency with which I have tried to recruit other airlines into the State to compete with them.

But I hope my colleagues and our witnesses can understand that we begin in West Virginia, and perhaps in rural communities across this country, with the conviction that the status quo is unacceptable – i.e., that it can't get much worse.

The question for us from that point is whether this proposed change presents an opportunity for making things better. We look carefully at what's being presented to us by Mr. Goodwin on behalf of United and by Mr. Johnson on behalf of the new DC Air, and what we mostly see is this:

- C a continued strong commitment to serve every one of our communities,
- C a commitment to keep fares stable or lower for the next two years,
- C a second and competing carrier into Washington, DC, from several of our markets,
- C a dramatic increase in the number of cities we can travel to through nearby hubs,
- C the attention and quality that seems to come from main-line carrier service (rather than affiliate service), and
- C a meaningful opportunity to reinvigorate our marketing.

Obviously the analysis doesn't and can't end here – and I don't mean to suggest that it's this simple or perfectly clear-cut. Regardless of my current optimism about this merger, I will watch carefully as it proceeds, and I'll willing to act quickly if becomes clear at any point that the merger will have a negative impact on my state or on the country as a whole.

I look forward to hearing today from the General Counsel of the Department of Transportation and an esteemed anti-trust expert, Mr. Foer. I hope in the near future we might also hear directly from the Department of Justice. And I am interested to hear the perspective of Air Tran, as a new entrant and low fare carrier that knows airline competition like few others.

I also want to thank Mr. Goodwin, Mr. Wolf, and Mr. Johnson, for coming here to the firing line and for putting forth a carefully constructed merger proposal that gives all of us in the Congress and the country an opportunity to think hard and creatively about the state of the airline industry and the future of our air service.

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